

TOWN OF GARDEN CITY

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2005

**GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254**

TOWN OF GARDEN CITY
Annual Financial Audit

For the Year ended June 30, 2005

TABLE OF CONTENTS

Independent Auditor's Report.	1
Management's Discussion and Analysis.	2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Governmental Funds	
Balance Sheet	10
Statement of Revenues, Expenditures, and Changes in Fund Balance.	11
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Proprietary Funds	
Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Net Assets	14
Statement of Cash Flows	15
Notes to the Financial Statements	
Note I	16
Note II.	19
Note III.. . . .	20
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund.	24
Other Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Special Revenue Fund.	25
Capital Project Fund.	26
Compliance and Internal Control	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with GOVERNMENT AUDITING STANDARDS	27
Independent Auditor's Report on State of Utah Legal Compliance	28

GARY H. TEUSCHER
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Town of Garden City
Garden City, Utah 84028

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

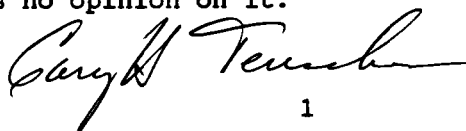
In accordance with *GOVERNMENT AUDITING STANDARDS*, I have also issued my report dated October 11, 2005, on my consideration of the Town of Garden City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GOVERNMENT AUDITING STANDARDS* and should be considered in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis listed in the table of contents is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Financial Statements - and Management Discussion and Analysis -For State and Local Governments*, as of July 1, 2003. This results in a change of format and content of the financial statements.

The budgetary comparison information, on page 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

October 11, 2005



**TOWN OF GARDEN CITY
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year ending June 30, 2005**

This discussion of the Town of Garden City's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets, water system, culture and recreation.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities as of the close of the most recent year by \$2,224,019 (net assets). Of this amount, \$1,023,820 (unrestricted net assets) is available to meet its ongoing obligations to citizens and creditors.

The government's total net assets increased by \$415,757. At the close of the current year, the Town's governmental funds reported ending fund balance of \$900,468 an increase of \$264,363 in comparison with the prior year. Approximately 73% of this total amount, or \$663,230 is available for spending at the government's discretion (unreserved fund balance).

At the end of the current year, unreserved fund balance for the governmental funds was \$663,230 or 142% of total governmental expenditures.

The Town's total debt decreased by \$29,362 during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. These statements consist of the Statement of Net Assets and the Statement of Activities. The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are recorded on the accrual basis as soon as the underlying event occurs that gives rise to the change. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

A *Fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds as well as balances of spendable resources available at the end of the year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund operations provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance Town programs.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The Town adopts an annual appropriated budget for its governmental funds.

Proprietary Funds

The Town maintains one proprietary fund, the enterprise or waterworks fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The Town uses an enterprise fund to account for culinary water operations.

Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current Assets	910,682	643,190	466,878	424,045
Capital Assets	<u>526,061</u>	<u>406,353</u>	<u>1,000,754</u>	<u>1,040,733</u>
Total Assets	<u>1,436,743</u>	<u>1,049,543</u>	<u>1,467,632</u>	<u>1,464,778</u>
Current Liabilities	10,214	7,085	8,288	7,759
Non-current Liabilities	<u>-</u>	<u>-</u>	<u>661,854</u>	<u>691,215</u>
Total Liabilities	10,214	7,085	670,142	698,974
Net Assets				
Investment in capital assets, net of related debt	526,061	406,353	338,900	349,518
Restricted	237,238	236,051	98,000	98,000
Unrestricted	<u>663,230</u>	<u>400,054</u>	<u>360,590</u>	<u>318,286</u>
Total Net Assets	<u>1,426,529</u>	<u>1,042,458</u>	<u>797,490</u>	<u>765,804</u>
Total Liabilities and Net Assets	<u>1,436,743</u>	<u>1,049,543</u>	<u>1,467,632</u>	<u>1,464,778</u>
		2005	2004	
Total Combined Net Assets		<u>2,224,019</u>	<u>1,808,262</u>	

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Garden City, assets exceeded liabilities by \$2,224,019 at the close of the most recent fiscal year. A large portion of the Town's assets \$864,961 or (38%) reflects its investment in capital assets (i.e. land, buildings, equipment, machinery and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets \$335,238 or (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,023,820) or (47%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues				
Charges for Service	200,845	158,288	224,142	206,501
Operating Grants and Contributions	51,631	32,234	-	-
Capital Grants and Contributions	93,255	-	-	-
General Revenues				
Property Taxes	170,153	140,259		
Sales Taxes	78,627	78,515		
Resort Taxes	80,244	73,232		
Liquor Tax	1,587	1,205		
Interest	14,096	6,893	9,909	5,388
Other Revenues	11,229	-	22,836	4,769
Transfer (net)	<u>27,586</u>	<u>35,000</u>	<u>(27,586)</u>	<u>(35,000)</u>
Total Revenues	729,253	525,626	229,301	181,658
Expenses				
General Government	254,115	212,328		
Public Safety	20,562	8,705		
Highway and Streets	37,593	62,066		
Culture and Recreation	32,912	42,700		
Water			163,750	120,857
Interest on Debt			<u>33,865</u>	<u>38,070</u>
Total Expense	<u>345,182</u>	<u>325,799</u>	<u>197,615</u>	<u>158,927</u>
Changes in Net Assets	384,071	197,827	31,686	22,731
Net Assets-Beginning	<u>1,042,458</u>	<u>842,631</u>	<u>765,804</u>	<u>743,073</u>
Net Assets-End of Year	<u>1,426,529</u>	<u>1,042,458</u>	<u>797,490</u>	<u>765,804</u>

FINANCIAL ANALYSIS OF GARDEN CITY'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financial requirements.

As of June 30, 2005, the Town's governmental funds (General, Special Revenue and Capital Projects) reported combined fund balances of \$900,468. This represents an increase of \$264,363 over last years ending balances.

The general fund is the chief operating fund of the town. All activities which are not required to be accounted for in separate funds whether by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund and represent 35% of total general fund revenues. The components of taxes are property, sales, and resort tax.

Total governmental activities revenues amounted to \$701,668, which is made up of taxes (46%), intergovernmental sources (9%), charges for services (28%). The remaining (17%) is from licenses and permits, contributions and investment earnings.

Total governmental activities expenses were \$464,891. The following functions accounted for the majority of the expenses: general government (53%), highways and streets (26%), and culture and recreation (12%). The remaining amount of (9%) is made up of public safety and capital outlay.

The Town maintains one enterprise fund to account for business-type activities of the Town. Total business-type activities revenue was \$256,887. Total business-type activities expenses were \$163,750 with personnel related costs of \$30,189, system operating costs \$19,920, repairs and maintenance \$56,168, depreciation \$57,473, and bond payments and interest costs \$63,227.

Significant changes in business-type activities include the cost of supplies and water samples, etc., due to the testing to determine if a new treatment plant is required.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than budgeted revenues by \$238,805 and actual expenditures were less than budgeted expenditures by \$76,053 resulting in a net increase in fund balance of \$223,014.

CAPITAL ASSETS

The Town's investment in capital assets, net of depreciation for its governmental and business-type activities as of June 30, 2005, was \$1,526,815. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation for the current year was \$79,729.

Major capital asset events during the current year included the following:

- Construction, and repair of sidewalks, and road improvements
- Water line replacement and extensions
- New vehicles
- Park maintenance and repair
- Bike path maintenance and repair

Garden City's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and Other Assets	52,083	38,083	25,879	25,879
Buildings and Improvements	156,512	138,245	19,239	20,107
Infrastructure	276,486	200,374	938,142	993,899
Machinery & Equipment	<u>40,981</u>	<u>29,651</u>	<u>17,494</u>	<u>848</u>
Total:	526,062	406,353	1,000,754	1,040,733

Additional information on the Town's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the Town had a total bonded debt outstanding of \$661,854.

Garden City's Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Notes Payable	0	0	0	0
Revenue Bonds	0	0	628,886	651,564
CIB	<u>0</u>	<u>0</u>	<u>32,968</u>	<u>39,651</u>
Total Long-Term Debt:	0	0	661,854	691,215

Additional information on the Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Garden City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Garden City Office, PO Box 207, Garden City, Utah 84028, 435-946-2901.

TOWN OF GARDEN CITY

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	755,682	443,966	1,199,648
Receivables, Net of Allowance For Uncollectibles	150,000	20,345	170,345
Prepaid	5,000	-	5,000
Internal Balances	-	2,567	2,567
Total Current Assets	910,682	466,878	1,377,560
Capital Assets, Net of Depreciation			
Land	52,083	25,879	77,962
Buildings and Improvements	156,512	19,239	175,751
Machinery and Equipment	40,981	17,494	58,475
Infrastructure	276,485	938,142	1,214,627
Total Capital Assets	526,061	1,000,754	1,526,815
Total Assets	1,436,743	1,467,632	2,904,375
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,647	2,241	9,888
Internal Balance	2,567	-	2,567
Interest Payable	-	6,047	6,047
Total Current Liabilities	10,214	8,288	18,502
Noncurrent Liabilities:			
Due within one year	-	32,305	32,305
Due in more than one year	-	629,549	629,549
Total Noncurrent Liabilities	-	661,854	661,854
Total Liabilities	10,214	670,142	680,356
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	526,061	338,900	864,961
Restricted:			
Roads	152,792		152,792
Capital Project	84,446		84,446
Debt Service		98,000	98,000
Unrestricted	663,230	360,590	1,023,820
Total Net Assets	1,426,529	797,490	2,224,019

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue And Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
General Government	254,115	171,372	31,000		(51,743)	(51,743)
Public Safety	20,562				(20,562)	(20,562)
Highway and Streets	37,593	7,113	20,631	83,319	73,470	73,470
Culture and Recreation	32,912	22,360	-	9,936	(616)	(616)
Total Government Activities	345,182	200,845	51,631	93,255	549	549
Business-Type Activities:						
Water Works	163,750	224,142				60,392
Debt Service:						
Interest and Fiscal Charges	33,865				(33,865)	(33,865)
Total Business-Type Activities	197,615	224,142			26,527	26,527
Total Primary Government	542,797	424,987	51,631	93,255	549	27,076
General Revenues:						
Property Taxes					170,153	170,153
Sales Taxes					78,627	78,627
Resort Taxes					80,244	80,244
Liquor Tax					1,587	1,587
Interest					14,096	24,005
Impact Fees					11,229	30,959
Other Miscellaneous						3,106
Transfers					27,586	(27,586)
Total General Revenue & Transfers					383,522	5,159
Change in Net Assets					384,071	31,686
Restated Net Assets - Beginning					1,042,458	765,804
Net Assets - Ending					1,426,529	797,490
						2,224,019

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2005

		Special	Capital	Total
	General	Revenue	Projects	Governmental
<u>Assets</u>				<u>Funds</u>
Cash	500,967	17,477	84,446	602,890
Notes Receivable		150,000		150,000
Prepaid Expense	5,000			5,000
Restricted Assets				
Cash	<u>152,792</u>			<u>152,792</u>
Total Assets	<u>658,759</u>	<u>167,477</u>	<u>84,446</u>	<u>910,682</u>
<u>Liabilities & Fund Balances</u>				
<u>Liabilities</u>				
Vouchers Payable	7,647			7,647
Internal Balances	<u>2,567</u>			<u>2,567</u>
Total Liabilities	<u>10,214</u>	<u>-</u>	<u>-</u>	<u>10,214</u>
<u>Fund Balance</u>				
Reserved for:				
Roads	152,792			152,792
Capital Projects			84,446	84,446
Undesignated	<u>495,753</u>	<u>167,477</u>		<u>663,230</u>
Total Fund Balances	<u>648,545</u>	<u>167,477</u>	<u>84,446</u>	900,468
Total Liabilities & Fund Balances	<u>658,759</u>	<u>167,477</u>	<u>84,446</u>	

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS (GOVERNMENTAL FUNDS)

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not financial resources and therefore are not reported
in the governmental funds.

526,061

Net Assets of Governmental Activities

1,426,529

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
<u>Revenue:</u>				
Taxes	206,213	122,825		329,038
Licenses and Permits	89,835			89,835
Intergovernmental Revenues	69,927			69,927
Charges for Services	198,772			198,772
Interest - Miscellaneous	<u>11,058</u>	<u>1,011</u>	<u>2,027</u>	<u>14,096</u>
Total Revenue	<u>575,805</u>	<u>123,836</u>	<u>2,027</u>	<u>701,668</u>
<u>Expenditures:</u>				
General Government	228,368	21,844		250,212
Public Safety	8,062	12,500		20,562
Highways and Streets	114,653	9,000		123,653
Culture and Recreation	52,607	4,000		56,607
Capital Outlay	<u>13,857</u>	<u>-</u>	<u>-</u>	<u>13,857</u>
Total Expenditures	<u>417,547</u>	<u>47,344</u>	<u>-</u>	<u>464,891</u>
Excess Revenue(Expenditure)	158,258	76,492	2,027	236,777
<u>Other Financing Sources(Uses):</u>				
Transfers In (Out)	<u>64,756</u>	<u>(37,170)</u>	<u>-</u>	<u>27,586</u>
Total Other Financing Sources (Uses)	<u>64,756</u>	<u>(37,170)</u>	<u>-</u>	<u>27,586</u>
Net Change in Fund Balances	<u>223,014</u>	<u>39,322</u>	<u>2,027</u>	<u>264,363</u>
Fund Balance - Beginning	<u>425,531</u>	<u>128,155</u>	<u>82,419</u>	<u>636,105</u>
Fund Balance - Ending	<u>648,545</u>	<u>167,477</u>	<u>84,446</u>	<u>900,468</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Net Change in Fund Balance - Total Governmental Funds	264,363
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Amounts reported for governmental
activities in the statement of net
assets are different because:

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities, the cost of those assets
is depreciated over their estimated useful
lives. This is the amount by which depreciation
exceeded capital outlays in the current period.

Capital Outlay	138,214
Depreciation Expense	<u>(18,506)</u>
Excess of Depreciation Expense over Capital Outlay	<u>119,708</u>

Change in Net Assets of Governmental Activities	<u>384,071</u>
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*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

	<u>Proprietary Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	443,966
Receivables, Net of Allowance For Uncollectibles	20,345
Internal Balance	<u>2,567</u>
Total Current Assets	466,878
Capital Assets, Net of Depreciation	
Land	25,879
Buildings and Improvements	19,239
Machinery and Equipment	17,494
Infrastructure	<u>938,142</u>
Total Capital Assets	<u>1,000,754</u>
Total Assets	<u>1,467,632</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	2,241
Interest Payable	<u>6,047</u>
Total Current Liabilities	<u>8,288</u>
Noncurrent Liabilities:	
Due within one year	32,305
Due in more than one year	<u>629,549</u>
Total Noncurrent Liabilities	<u>661,854</u>
Total Liabilities	<u>670,142</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	338,900
Restricted:	
Debt Service	98,000
Unrestricted	<u>360,590</u>
Total Net Assets	<u>797,490</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Proprietary Fund</u>
<u>Operating Revenue</u>	
Total Operating Revenue	<u>224,142</u>
<u>Operating Expenses</u>	
Salaries - Payroll Tax	30,189
Contractual Services	19,920
Depreciation	57,473
Water Maintenance & Development	<u>56,168</u>
Total Operating Expenses	<u>163,750</u>
Operating Income (Loss)	<u>60,392</u>
<u>Non-Operating Revenues (Expenses)</u>	
Impact Fees	19,730
Interest Revenue	9,909
Other Income	3,106
Interest Expenses and Fiscal Charges	<u>(33,865)</u>
Total Non-Operating Revenue (Expenses)	<u>(1,120)</u>
Income (Loss) before Operating Transfers	59,272
<u>Transfers Out</u>	<u>(27,586)</u>
Change in Net Assets	31,686
Total Net Assets - Beginning	<u>765,804</u>
Total Net Assets - Ending	<u>797,490</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	<u>Proprietary Fund</u>
Cash flows from Operations:	
Cash received from customers	237,672
Cash payments to suppliers	(95,321)
Cash Payments to employees	<u>(30,189)</u>
Net Cash provided by Operating Activities	<u>112,162</u>
Cash flows from non capital financing activities:	
Transfers Out	(27,568)
Impact Fees	19,730
Other Income	<u>3,106</u>
Net Cash Provided by Non Capital Financing Activities	<u>(4,732)</u>
Cash flows from capital related financing activities:	
Project Costs	(17,494)
Principal paid	(29,362)
Interest and fiscal charges paid	<u>(36,037)</u>
Net cash used for capital and related financing activities	<u>(82,893)</u>
Cash flows from investing activities:	
Interest on investments	<u>9,909</u>
Net cash from investing activities	<u>9,909</u>
Net increase in cash and cash equivalents	34,446
Balances - beginning of year	<u>409,520</u>
Balances - end of year	<u>443,966</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income (loss)	60,392
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	57,473
Changes in assets and liabilities:	
Receivables (Net)	(5,362)
Accounts Payable	<u>(341)</u>
Net cash provided by operating activities	<u>112,162</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Garden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standardsetting body for establishing governmental accounting and financial reporting principles. For the reporting year, the Town has implemented GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant Town accounting policies are described below.

The Town's general purpose financial statements includes the accounts of all operations. The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of such significant policies:

A. Financial Reporting Entity

The Town of Garden City is chartered under the laws of the State of Utah. The Town is presently governed by a Mayor/Council form of Government and provides the following services: public improvements, streets, planning and zoning, water, and general administrative services.

The financial statements of the Town consist of the funds of the Town and its Redevelopment Agency. The Town has no oversight responsibility for any other governmental entity, except the RDA, since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The RDA is shown as the Special Revenue Fund.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and any component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue - RDA Fund
Capital Projects

The Town reports the following major proprietary funds:

Water Fund - Accounts for all water revenue and expenditures.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally results from providing services and producing and delivering goods in connection with a proprietary

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

fund's principal ongoing operations. The principle operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash includes amounts in demand deposits as well as highly liquid investments with maturity dates of thirty days or less.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans), or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental-wide financial statements as "internal balances."

3. Inventory

Inventories of fuel, supplies, etc., are immaterial and are not recorded. Expenditures are recognized in the fund when purchased.

4. Property Taxes

Property tax revenue of the Town of Garden City is levied, collected, and distributed by Rich County, as required by state law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property as of January 1st, and complete the tax rolls by May 15th. By July 21st, the county Treasurer is to mail notices of assessed value to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th, for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by October 15th. By November 1st, the Auditor is to deliver the completed assessment rolls to the State Treasurer. Real property tax notices are mailed with a due date of November 30th. Real property tax for the calendar year 2004 is included in revenues for the year ending June 30, 2005. Vehicle property taxes are due on a staggered basis throughout the year and are recorded when received.

As of June 30, 2005, real property taxes assessed but uncollected for calendar 2004 and earlier are delinquent property taxes. It is expected that all delinquencies and accrued interest will be collected within a five-year period during which time, the County Treasurer may force sale of property to collect the delinquent taxes.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>
Buildings	15-50
Improvements	20-35
Equipment	2-15
Vehicles	3-7

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements. Prior to June 30, the Town holds hearings on a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

During the fiscal year, the Council of the Town may amend the annual appropriated budget by unanimous resolution in case of an emergency, through the courts, or by the budget hearing process. The appropriated budget can only be increased by an amount equal to unanticipated revenues. In no event can property taxes be increased. Management at departmental level does not have authority to amend the budget.

B. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

Employees accrue vacation and personal leave at differing rates. It is the Town's policy to permit employees to carry up to 20 days of vacation and personal leave from one calendar year to the next.

TOWN OF GARDEN CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTE ON ALL FUNDS

A. Bonds Payable

	Changes in Long Term Debt			
	7-1-04 <u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions Made</u>	6-30-05 <u>Ending Balance</u>
Enterprise Bonds				
Bond #9101	382,383.20		14,631.81	367,751.39
Bond #9103	269,180.76		8,046.12	261,134.64
CIB Loan	<u>39,651.32</u>		<u>6,683.64</u>	<u>32,967.68</u>
	<u>691,215.28</u>	<u>-</u>	<u>29,361.57</u>	<u>661,853.71</u>

The total principal and interest due each year during the next five years is \$65,398.20.

1. General Obligation Bond #9103

These bonds payable are the obligation of the Town. These were originally secured by notes receivable from various land developers. (see note 3). These bonds are payable to the USDA Rural Development at the rate of \$23,312 annually including interest at five percent (5%). The balance of the bond payable at 6-30-05, was \$261,139.64. This obligation bond was transferred to the Water Fund as of 7-1-94. The Town felt that most of the payment was coming from Water Fund Revenues with the balance from payments received on notes receivable paid by developers.

2. Revenue Bond #9101

These bonds payable included in the Enterprise fund are payable to the USDA Rural Development at the rate of \$2,785 monthly including interest at five percent (5%). These bonds are to be paid from water assessments. The amount of the bonds payable at 6-30-05, was \$367,751.39.

3. Revenue Bond - C.I.B. Loan

The Town bonded with the Community Impact Board of the State of Utah for \$108,000.00 in May 1990. This money was used to extend the water system to the Sweetwater area. These bonds, bearing an interest rate of 5%, are payable at a rate of \$8,666.20 due January 1 of each year for 20 years. The balance of the loan payable at 6-30-05 was \$32,967.68.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

B. Notes Receivable from Developers

To retire bonded indebtedness, certain developers entered into contracts with the Town in the form of Notes (backed by land). These notes are being paid at 5% interest by developers to the Town. Some developers (due to bankruptcy or going out of business) have deeded to the Town, land in lieu of the note. This land has been carried at original note value or cost. During 1999, the Town updated these notes and land held in lieu of notes receivable and wrote them down to the 6-30-99 value of \$25,879.

	Balance 6-30-04	Additions	Collections	Balance 6-30-05
Notes Receivable	7,522		750	6,772
Land Held in Lieu of N/R	<u>25,879</u>			<u>25,879</u>
	<u>33,401</u>	<u>-</u>	<u>750</u>	<u>32,651</u>

C. Additions to Assets

Additions to Governmental Capital Assets

	Beginning Balance	Net Additions	Net Depreciation	Ending Balance
Land	38,083	14,000		52,083
Roads	114,060	82,034	(3,355)	192,739
Improvements	138,245	26,004	(7,737)	156,512
Equipment	29,651	16,176	(4,846)	40,981
RDA Roads	<u>86,314</u>	<u>-</u>	<u>(2,568)</u>	<u>83,746</u>
Totals	<u>406,353</u>	<u>138,214</u>	<u>(18,506)</u>	<u>526,061</u>

Additions to Enterprise Assets

	Beginning Balance	Net Additions	Net Depreciation	Ending Balance
Land	25,879			25,879
Building	20,107		(868)	19,239
Water Lines & Equipment	<u>994,747</u>	<u>11,570</u>	<u>(50,681)</u>	<u>955,636</u>
Totals	<u>1,040,733</u>	<u>11,570</u>	<u>(51,549)</u>	<u>1,000,754</u>

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2005

D. Litigation

The Town is not presently in any active litigation, nor is any anticipated at this time.

E. Deposits and Investments

All cash amounts used for checking are deposited in the Cache Valley Bank in Logan, Utah. All other cash is deposited with the Utah State Treasurer in the Public Treasurer's Investment Fund. For purposes of evaluating credit risk, all deposits were covered at year end by federal depository insurance or by collateral held by the Utah State Treasurer in the Town's name.

	Balance Per <u>Books</u>	Balance Per <u>Bank</u>
Deposits:		
Enterprise Checking	19,537.72	20,333.06
General Checking	<u>22,621.50</u>	<u>34,668.45</u>
Total Cash In Checking	42,159.22	55,001.51
Utah State Treasurer's PTIF	<u>1,140,012.22</u>	<u>1,140,012.22</u>
Sub Total Cash	1,182,171.44	1,195,013.73
Blended Component Unit		
RDA Checking	1,403.56	3,453.34
RDA PTIF	<u>16,072.96</u>	<u>16,072.96</u>
Sub Total RDA Cash	<u>17,476.52</u>	<u>19,526.30</u>
Total Cash	<u>1,199,647.96</u>	<u>1,214,540.03</u>

F. Class C Road Funds

During 2005 the Town received \$20,631.20 from the State for Class C Roads. The activity for these funds for the fiscal year ended 6-30-05 is as follows:

Received from State	20,631.20
Interest from Savings	<u>3,534.85</u>
Total Revenue	24,166.05
Expenditures	(27,885.51)
Excess Revenues over Expenditures	(3,719.46)
Restricted Cash	
Beginning Balance	<u>-</u>
Ending Balance	<u>-</u>

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

G. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Town to purchase insurance for these risks. Various policies are purchased through the Utah Local Government Trust to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies which the Town pays in the event of any loss. The Town also has purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

H. Defined Benefit Pension Plan

Plan Description. The Town contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 S. Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. The Town of Garden City is required to contribute 10.51% of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The Town of Garden City's contributions to the Noncontributory System for the years ending June 30, 2005, 2004, and 2003 respectively were; \$9,317.09, \$8,055.58, and \$3,727.15. The contributions were equal to the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GARDEN CITY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2005

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenue:</u>			
Taxes	189,500	206,213	16,713
Licenses and Permits	54,000	89,835	35,835
Intergovernmental Revenue	22,000	69,927	47,927
Charges for Services	67,000	198,772	131,772
Interest - Miscellaneous	<u>4,500</u>	<u>11,058</u>	<u>6,558</u>
Total Revenues	<u>337,000</u>	<u>575,805</u>	<u>238,805</u>
<u>Expenditures:</u>			
General Government	237,675	228,368	9,307
Public Safety	11,500	8,062	3,438
Highways and Streets	124,925	114,653	10,272
Culture and Recreation	64,500	52,607	11,893
Capital Outlay	<u>55,000</u>	<u>13,857</u>	<u>41,143</u>
Total Expenditures	<u>493,600</u>	<u>417,547</u>	<u>76,053</u>
Excess of Revenue over Expenditures	<u>(156,600)</u>	158,258	<u>314,858</u>
Net Interfund Transfers		64,756	
Fund Balance		425,531	
Beginning Balance			
Prior Period Adjustment			
Ending Balance		<u>648,545</u>	

*The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF GARDEN CITY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET & ACTUAL
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive (Negative)
<u>Revenue:</u>			
Taxes	100,000	122,825	22,825
Interest	<u>1,200</u>	<u>1,011</u>	<u>(189)</u>
Total Revenue	<u>101,200</u>	<u>123,836</u>	<u>22,636</u>
 <u>Expenditures:</u>			
General Government	46,120	21,844	24,276
Public Safety	15,500	12,500	3,000
Highways and Streets	42,000	9,000	33,000
Culture and Recreation	4,000	4,000	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>107,620</u>	<u>47,344</u>	<u>60,276</u>
Excess of Revenue over Expenditures	<u>(6,420)</u>	76,492	<u>82,912</u>
Prior Period Adjustment		-	
Net Interfund Transfers		(37,170)	
Fund Balance			
Beginning Balance		<u>128,155</u>	
Ending Balance		<u>167,477</u>	

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET & ACTUAL
CAPITAL PROJECT FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budget Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenue:</u>			
Interest	-	2,027	2,027
Grants	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenue	 <u>-</u>	 <u>2,027</u>	 <u>2,027</u>
 <u>Expenditures:</u>			
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>-</u>	 <u>-</u>	 <u>-</u>
Excess of Revenue over Expenditures	<u>-</u>	2,027	<u>2,027</u>
Net Interfund Transfers		-	
Fund Balance			
Beginning Balance		<u>82,419</u>	
Ending Balance		<u>84,446</u>	

*The accompanying notes are an integral part of this statement.

COMPLIANCE AND INTERNAL CONTROL

GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Garden City
Garden City, Utah 84028

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town of Garden City, Utah's basic financial statements and have issued my report dated October 11, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Town in a separate letter dated October 11, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *GOVERNMENT AUDITING STANDARDS*.

This report is intended solely for the information and use of the Town of Garden City, its management, Town Council, the Utah Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 11, 2005

GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254

INDEPENDENT AUDITOR'S REPORT ON
STATE OF UTAH LEGAL COMPLIANCE

Honorable Mayor and City Council
Town of Garden City
Garden City, Utah 84028

I have audited the financial statements of the Town of Garden City for the year ended June 30, 2005 and have issued my report thereon dated October 11, 2005. As part of my audit, I have audited the Town of Garden City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town has not received any other major or nonmajor grants during the fiscal year.

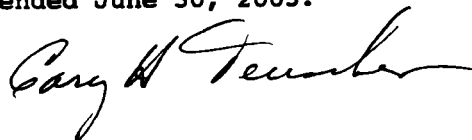
My audit also included testwork in the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of the Town is responsible for Garden City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, Garden City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



October 11, 2005

GARY H. TEUSCHER
Certified Public Accountant
Medical Arts Building
Montpelier, Idaho 83254

To the Honorable Mayor
and City Council
Garden City, UT 84028

In planning and performing my audit of the financial statements of the Town of Garden City for the year ended June 30, 2005, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. During the performance of my audit, I noted no matters involving the internal control structure and its operation that I considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Town of Garden City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I noted no reportable conditions that could be believed to be a material weakness.

I did, however, note certain matters involving the internal control structure and its operation that the City should consider.

Budget Process

With regard to budgets, I encourage you to continue preparing reports each month that compare budget to actual amounts. This information will help to ensure that the budget process controls over-expenditure of budget items.

When it appears that expenditures in a line item of the budget such as capital expenditures for new equipment or improvements would over expend that line item, but not the entire budget, then the Town Council should vote to move budget amounts from say Road and Streets to Capital Expenditures so as not to over expend that line item. If the total budget is to be spent, then the formal opening of the budget along with a hearing would be necessary. Up to date accounting with budget to actual reports will help in this respect.

Misposting of Accounts

Several General Fund checks were posted to the Water Fund accounts and Water Fund checks posted to the General Fund account. The checks should always be posted to the correct fund account number. Review the posting to make sure only General Fund checks are posted in the 5000 accounts and Water Fund checks are posted in the 6000 accounts. This will make the computer generated financial statements more correct.

Also, all transfers of money from one fund to another fund should be done by check after transferring the money into the appropriate fund checking account from the PTIF account. This will allow for transfers between funds to be posted correctly.

Approval of Expenditures

During the course of the audit several expenditures did not have approval vouchers filed with the other vouchers. I would recommend that all expenditures have a voucher attached to the invoice and that it be signed as indicated by the internal control procedures.

It is in the interest of the Management and the Town Council to do everything possible to safeguard assets of the Town. This can be accomplished by continuing efforts by all concerned to segregate duties, combine duties, and assign duties to both clerks and or to council members in such a way that errors and irregularities would be detected, and corrected by employees of the Town.

This report is intended solely for the information and use of the Mayor and Town Council, Management and the Legislative Auditor. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Gary H. Teuscher

October 11, 2005

December 16, 2005

Mr. Gary H. Teuscher, CPA
Medical Arts Building
Montpelier, ID 83254

Dear Mr. Teuscher:

The Town Council of Garden City, Utah has reviewed your letter dated October 11, 2005 and the comments made during the delivery of the audit to the Town Council at their meeting held on November 10, 2004. We continue to look for ways to strengthen our internal controls. We have designed a monthly report to keep the Council informed of over-expenditures so they can take the necessary steps to cover the over-expenditures. Also, we will closer monitor the checks and deposits to make sure they are charged or credited to the correct fund. We will continue to strengthen our internal control and will implement your suggestions.

The Town of Garden City is proud of its financial situation and we feel that our system is providing excellent control of the assets of the Town. We will continue to assess your suggestions and implement any changes that are warranted in the future.

We appreciate your time and effort on our Town's audit.

Sincerely,

Kenneth Hansen
Mayor, Town of Garden City

cc: Utah State Auditor